

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 EB-07 TRSE-00 FRB-03 COME-00 /076 W
-----042772 230137Z /66

R 222100Z JUL 77

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 8519
INFO AMEMBASSY BOGOTA
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY QUITO
USCINCSO QUARRY HEIGHTS CZ
USCINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 7375

E.O. 11652: GDS

TAGS: PFOR, ETRD, EGEN, VE, PORG, PINT

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 7101

SUMMARY: PINERUA ORDAZ WINS AD PRESIDENTIAL PRIMARY.
THE CABINET RESHUFFLE- CONSOLIDATION AT MIRAFLORES
PALACE. THE IMPACT OF ANTI-INFLATION MEASURES. ANDEAN
PACT MEETING IN CARACAS. MAS OFFICIALLY PROCLAIMS RANGEL
AS ITS PRESIDENTIAL CANDIDATE. END SUMMARY.

1. PINERUA ORDAZ WINS...."CORRECTO". AS REPORTED
IN CARACAS 7227, AD SECRETARY GENERAL LUIS PINERUA ORDAZ
HANDILY WON THE AD PRIMARY ELECTION JULY 17 WITH OVER
62 PERCENT OF THE VOTES. LOSER JAIME LUSINCHI ACCEPTED THE
DEFEAT GRACEFULLY AND PROMISED TO MAINTAIN PARTY UNITY.

THE VIRTUAL COPEI PRESIDENTIAL CANDIDATE LUIS HERRERA
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CAMPINS CHORTLED THAT THE LARGE NUMBER OF ABSTENTIONS
(APPROXIMATELY 400,000 OF THE REGISTERED 1.3 MILLION AD
PARTY MEMBERS) INDICATES A HIGH LEVEL OF DISCONTENT
EVEN AMONG AD PARTISANS WITH THREE YEARS OF AD MISRULE.
AD POLITICIANS TOLD US PRIVATEELY THAT THE PARTY
MACHINERY DID UNFORTUNATELY EXAGGERATE THE PREDICTED
LEVEL OF TURNOUT, SO THAT THE ABSTENTION RATE APPEARED

TO BE HIGHER THAN IT OTHERWISE WOULD HAVE BEEN. IN ADDITION, THEY ADDUCED VARIOUS REASONS, INCLUDING THE NOVELTY OF THE PRIMARY ELECTION AND THE FOREGONE CONCLUSION THAT PINERUA WOULD WIN OR CONCOMITANTLY THAT LUSINCHI WOULD LOSE SO THAT MANY OF THEIR RESPECTIVE SUPPORTERS DECIDED THE VOTE WAS NOT WORTH THE EFFORT. FOLLOWING THE ELECTION, PINERUA ATTEMPTED TO DOWNPLAY THIS ISSUE BY COMPARING TURNOUTS IN US PRIMARY ELECTIONS WHICH OFTEN ONLY GARNER 20 PERCENT OF THE ELECTORATE.

COMMENT: THE BIG WINNERS IN THE PRIMARY WERE PINERUA AND FORMER PRESIDENT BETANCOURT WHO ONCE AGAIN IMPOSED HIS WILL AND HIS MAN ON THE AD PARTY. INDEED, BETANCOURT PLANS TO PLAY AN ACTIVE ROLE IN THE CAMPAIGN AND WILL, AMONG OTHER THINGS, CHAIR THE PARTY'S PLATFORM COMMITTEE. IN A PRESS CONFERENCE IN MID-WEEK, PINERUA OUTLINED THE PRINCIPLE THEMES OF HIS CAMPAIGN-- THEMES VERY MUCH IN KEEPING WITH BETANCOURT'S EMPHASIS ON SOCIAL JUSTICE, MILITANT ANTI-COMMUNISM, DISCIPLINE, AND DEDICATED POPULISM. PINERUA LASHED OUT AT CORRUPTION, SAID HE WOULD PERMIT BUT NEVER COLLABORATE WITH LEFTIST PARTIES (A DIRECT ATTACK ON THE MAS), AND STRESSED EDUCATION, PRODUCTIVITY, MORE TECHNICAL EDUCATION (INCLUDING A POTENTIAL ROLE FOR THE MILITARY IN SOCIAL ACTION PROGRAMS), AND AGRICULTURE. WHILE PINERUA PRAISED THE CURRENT ADMINISTRATION'S EFFORTS, AND PRESIDENT PEREZ

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PERSONALLY, HE CAREFULLY AVOIDED GIVING THE IMPRESSION OF "CONTINUISMO". ABOVE ALL, PINERUA CAME ACROSS AS A SERIOUS IF UNSPECTACULAR INDIVIDUAL WHO WILL ATTEMPT TO CONSOLIDATE THE ECONOMIC GAINS OF THE PEREZ ADMINISTRATION, BUT WILL WORK CONSCIENTIOUSLY TO CONTROL INFLATION,

CORRUPTION AND CRIME, THE THREE MOST IMPORTANT PROBLEMS ON THE MINDS OF THE VENEZUELAN VOTERS. AT THIS STAGE, THE RATHER LACKLUSTER BUT SOLID PINERUA SEEMS SUPREMELY CONFIDENT THAT THE PARTY MACHINE, BACKED BY THE CHARISMATIC FATHER OF VENEZUELAN DEMOCRACY, ROMULO BETANCOURT, ON THE CAMPAIGN TRAIL, WILL INDEED BE ABLE TO ATTRACT THE TWO MILLION OR SO INDEPENDENT VOTERS IN ADDITION TO THE AD FAITHFUL NEEDED TO MAKE HIM THE NEXT PRESIDENT OF VENEZUELA.

2. THE CABINET RESHUFFLE- CONSOLIDATION AT MIRAFLORES PALACE- A COMMENTARY. THE APPOINTMENT OF SEVEN NEW CABINET MINISTERS BY PRESIDENT PEREZ ON JULY 15 (SEE CARACAS 7109) UNDERLINED THE PRESIDENT'S DETERMINATION TO CONTINUE TO PLAY AS MUCH A ROLE AS THE ON-RUSHING PRESIDENTIAL CAMPAIGN PERMITS AN INCUMBENT VENEZUELAN

PRESIDENT. HE RESHUFFLED FOUR MAJOR PORTFOLIOS-
FOREIGN AFFAIRS, DEFENSE, FINANCE AND AGRICULTURE.
INTO THE FIRST TWO HE PLACED IMPORTANT AD STALWARTS.
THE NEW FOREIGN MINISTER, UN AMBASSADOR CONSALVI, SPENT
YEARS IN EXILE AND IS A PARTY MEMBER OF LONG STANDING.
CLEARLY PEREZ BELIEVES HE HAD MADE HIS MARK IN FOREIGN
AFFAIRS AND WISHES TO CONSOLIDATE HIS GOVERNMENT'S
RECORD IN THIS FIELD BEFORE HE LEAVES OFFICE. CONSALVI,
TOUGH, BRIGHT AND PARTISAN, SHOULD PROVE AN EFFECTIVE
COLLABORATOR TO THE PRESIDENT IN THIS TASK. SIMILARLY,
FOR THE DEFENSE POST INCOMING PAREDES BELLO COMMANDS
RESPECT AMONG HIS MILITARY COLLEAGUES FOR HIS INTELLIGENCE
AND PRESENCE. HE IS VERY MUCH AN "AD GENERAL" AS WELL,
AND CAN BE EXPECTED TO WORK CLOSELY WITH PEREZ, ALTHOUGH
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HIS APPOINTMENT IS PRIVATELY LAMENTED BY THE COPEYANOS
AS THE RANKEST SORT OF POLITICAL PAYOFF.

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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 7375

IN THE FINANCE AND AGRICULTURE PORTFOLIOS, PEREZ PLACED
TWO COMPETENT CAREER PROFESSIONS, SILVA AND PINTO.

PEREZ SWITCHED THE OUTGOING FINANCE MINISTER, THE ABLE BUT ABRASIVE HECTOR HURTADO, OVER TO RUN THE VENEZUELAN INVESTMENT FUND, THEREBY RETAINING HURTADO'S CONSIDERABLE TALENTS, BUT REMOVING HIM FROM THE FINANCE SPOT WHERE HE HAD DRAWN CONSIDERABLE FIRE FOR PUSHING THE TAX REFORM A BIT TOO ENERGETICALLY AND GENERALLY ALIENATED THE BUSINESS COMMUNITY IN THE PROCESS. THE NEW AGRICULTURAL MINISTER, DR. PINTO, IS A WELL TRAINED AGRICULTURAL ENGINEER. HE PROBABLY WILL NOT BE ABLE TO DO MUCH IN THE REMAINING YEAR AND ONE-HALF OF THE ADMINISTRATION, BUT AT LEAST GIVES A LITTLE NEW CACHET TO THE BELEAGUED AGRICULTURAL SECTOR, UNDER HEAVY FIRE FOR INEFFICIENCY AND LACK OF COORDINATED CREDIT AND INVESTMENT PROGRAMS IN ADDITION, CARMELO LAURIA'S APPOINTMENT AT THE PRESIDENCY INDICATES A CONSIDERABLE UP-GRADING OF HIS POWERS, NOT ONLY AS CHIEF OF STAFF

BUT ALSO AS OVERALL COORDINATOR OF GOV ECONOMIC POLICY.
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3. IMPACT OF ANTI-INFLATION MEASURES. REACTION TO THE SERIES OF GOVERNMENT MEASURES DESIGNED TO CONTROL THE GROWTH OF THE MONEY SUPPLY AND INFLATION IN THIS ECONOMY HAS BEEN MIXED. THE FOREIGN BANKING COMMUNITY IS CONFIDENT THAT THE MEASURES INTENDED TO CONTROL INFLOWS OF FOREIGN FUNDS WILL NOT INHIBIT THEIR OPERATIONS TO ANY GREAT DEGREE. LEGAL LOOPHOLES APPARENTLY EXIST WHICH WILL ENABLE THEM TO MAINTAIN THEIR LENDING VOLUME WITHOUT REGARD TO THE 50 PERCENT RESERVE REQUIREMENT ON DEPOSITS OF FOREIGN CURRENCIES. DOMESTIC BANKERS ARE NOT SO SANGUINE. NATIONAL BANKS CONSIDERED MOST VULNERABLE TO THE IMPACT OF THE NEW MEASURES ARE THE BANCO DE VENEZUELA, BANCO NACIONAL DDE DESCUENTO AND BANCO UNION, ALL OF WHICH ARE HEAVILY INVOLVED IN REAL ESTATE AND CONSUMER FINANCING, AND ARE DEPENDENT ON DEPOSITS BY FOREIGN BANKS TO SUPPLY LENDABLE FUNDS. IN ADDITION, TWO OF THE BANKS ARE INVOLVED IN CREDIT CARD OPERATIONS, WHICH HAS BEEN VERY PROFITABLE UP UNTIL NOW, BUT WHICH WILL BE SHARPLY CURTAILED UNDER THE NEW MEASURES. NEW COMMITMENTS FOR FINANCING REAL ESTATE PURCHASES HAVE NOT BEEN MADE DURING THE PAST TWO WEEKS AS THE INDUSTRY ATTEMPTS TO ADJUST TO THE NEW REQUIREMENTS. FINALLY, COPEI, THE MAJOR OPPOSITION PARTY, HAS PUBLICALLY CRITICIZED THE MEASURES AS ATTACKING THE SYMPTOMS RATHER THAN THE CAUSES OF INFLATION IN THE COUNTRY.

4. ANCOM MEETING IN CARACAS. MINISTERS REPRESENTING ALL FIVE ANDEAN COMMUNITY COUNTRIES CONVENED JULY 21 IN CARACAS TO DISCUSS PROBLEMS ASSOCIATED WITH REGIONAL INTEGRATION OF THE AUTOMOTIVE INDUSTRY. THE MEETINGS

ARE NOT EXPECTED TO LAST MORE THAN TWO DAYS. PERU
REPORTEDLY HAS REQUESTED THAT THE PACT JUNTA REDRAFT
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ITS INTEGRATION PROPOSAL, A PROCESS THAT COULD LAST MONTHS.
THE GOV, UNDER CONSIDERABLE DOMESTIC PRESSURE TO PRODUCE A
COMPREHENSIVE AUTOMOTIVE INDUSTRY POLICY, IS BECOMING INCREASINGLY
IMPATIENT WITH THE INABILITY OF THE PACT MEMBERS TO DEVELOP
A COMMON STRATEGY.

5. MAS PROCLAIMS JOSE VINCENT RANGEL AS ITS PRESIDENTIAL
CANDIDATE. TO NO ONE'S SURPRISE, THE MOVEMENT TOWARD
SOCIALISM (MAS) PROCLAIMED DEPUTY JOSE VINCENT RANGEL AS
ITS PRESIDENTIAL CANDIDATE THIS WEEK. RANGEL, IN HIS
ACCEPTANCE SPEECH, ATTACKED THE PEREZ ADMINISTRATION FOR
INEFFICIENCY, AND CALLED ON THE MASSES TO SUPPORT DEMOCRACY,
SOCIALISM, AND TO CONDEMN RIGHTIST MILITARY REGIMES.

COMMENT: RANGEL'S PRINCIPAL OPPOSITION TO THE NOMINATION
HAD COME FROM TEODORO PETKOFF, THE IDEOLOGUE WHO
HAD FOUNDED THE PARTY IN 1970. A MAJORITY OF THE PARTY'S
LEADERSHIP, HOWEVER, DECIDED THAT PETKOFF'S IMAGE IS, IN
FACT, TOO STRIDENTLY IDEOLOGICAL AND RADICAL. THE PARTY,
THEREFORE, TURNED TO RANGEL WHO IS STRIKINGLY
HANDSOME, URBANE, AND ARTICULATE-- PROJECTING THE VERY
QUALITIES THAT MAS WISHES TO PUT BEFORE THE VOTING PUBLIC.
MAS HAS BEEN CAREFUL IN ITS PUBLICITY TO REJECT ANY
SUGGESTION OF VIOLENCE, OR OF THE ROOTS FROM WHENCE ITS
FOUNDERS COME-- THE URBAN GUERRILLAS OF THE EARLY 1960S.
ONE MAS OFFICIAL TELLS US THAT RANGEL IS PROBABLY
THE MOST ATTRACTIVE CANDIDATE IT COULD FIELD THIS YEAR,
AND WE TEND TO AGREE WITH HIM.

6. OTHER REPORTING THIS WEEK INCLUDED CURRENT
ASSESSMENT OF GUERRILLA ACTIVITIES (CARACAS A-104), ARMS
TRANSFER DELAYS (CARACAS 7252), PINERUA ORDAZ WINS AD

PRESIDENTIAL PRIMARY (CARACAS 8469), SEVEN CABINET MEMBERS
APPOINTED (CARACAS 7109), AMBASSADOR YOUNG'S TRIP (CARACAS
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7305), PRESIDENT PEREZ TALKS ABOUT FOLLOW-UP TO STATE
VISIT (CARACAS SEPTTEL), LOS (CARACAS 7327), CODEL WOLFF
(CARACAS 7303), VENEZUELA'S ECONOMIC BALANCE SHEET (CARACAS
7339), FINANCIAL ASSISTANCE TO PORTUGAL (CARACAS 7207),

ENERGY (CERP): PETROLEUM INDUSTRY DEVELOPMENTS
AND OUTLOOK (CARACAS A-101), PROPOSED RECIPROCAL EXEMPTIONS
OF INTERNATIONAL AIRLINES (CARACAS 7163) AND THE FOLLOWING
MAJOR PROJECT REPORTS: URIBANTE-CAPARO HYDROELECTRIC
PROJECT (CARACAS 7115), 800 KV TRANSMISSION LINE (CARACAS
7197), SUB-STATIONS FOR TRANSMISSION LINE (CARACAS 7198),
ELECTRONIC SWITCHING IN TELEPHONE EXCHANGES (CARACAS 7278),
AND CORPOZULIA COAL AND STEEL PROJECTS (CARACAS 7235).

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Message Attributes

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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
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SAS ID: 1782290
Secure: OPEN
Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: PFOR, ETRD, EGEN, PORG, PINT, VE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7cbeea65-c288-dd11-92da-001cc4696bcc
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